

State Employee Benefits Committee
Monday, May 15, 2015 at 2:00 p.m.
Tatnall Building, Room 112
Dover, Delaware

Approved 6/12/2015

The State Employee Benefits Committee met on May 15, 2015, at the Tatnall Building, Room 112, Dover, Delaware. The following Committee members and guests were present:

Ann Visalli, Director, OMB	Mike Morton, Controller General
Brenda Lakeman, Director, OMB, SBO	Jennifer Mossman, Highmark DE
Faith Rentz, Deputy Director, OMB, SBO	Casey Oravez, OMB, Financial Operations
Mary Thuresson, OMB, SBO	Carol Parrish, Brandywine School District
Tim Barchek, NEA	Lori Peddicord, City of Dover
Matt Bittle, DE State News	Karol Powers-Case, DRSPA
Ronald Burrows, DRSPA	Lori Reddicord, City of Dover
Tom Cook, Finance	Rebecca Reichardt, OMB
Mary Cooke, DOE	Kimberly Reinagel-Nietubiez, CGO
David Craik, Pension Office	Sandy Richards, AFSCME-R
Alan Davis, Chief Magistrate, Courts	Paula Roy, Roy Associates
Jessica Eisenbrey, OMB	Ken Simpler, OST
Wayne Emsley, DRSPA	Donna Smallwood, Brandywine School District
Karin Faulhaber, PHRST	Henry Smith, DHSS
Darcell Griffith, Univ of DE	Jim Testerman, DSEA-R
Christina Hudson, Univ of DE	Everett Toomey, DRSPA
Andrew Kerber, DOJ	Chris Ulrich, Univ of DE
Geoff Klopp, COAD	Karen Valentine, AFSCME, Council 81
Tom LaPenta, Univ of DE	Jennifer Vaughn, DOI
Dave Leiter, DHSS	Stuart Wohl, Segal
Jon McDowell, Retiree	Debra Yoder, Aetna
Joe Marocco, HMS	Rebecca Zink, OST
Omar Masood, OST	

Introductions/Sign In

Director Visalli called the meeting to order at 2:03 p.m. Anyone who had public comment was invited to sign in and any others wishing to comment would be given the opportunity at the end of the meeting. Introductions were given around the room.

Approval of Minutes

Director Visalli requested a motion to approve the minutes from the April 27, 2015 SEBC meeting. Controller General Morton made the motion and Mr. Tom Cook seconded the motion. Upon unanimous voice vote the minutes were approved.

Director's Report – Brenda Lakeman

Ms. Lakeman provided some updates to Open Enrollment that opened Monday, May 11th. There are over 36,000 active employees that are benefit eligible. Over 2,200 employees have looked at or changed their benefits this week and 2,220 people have accessed the new Self-Service portal to complete the Spousal Coordination of Benefits (SCOB) online. There were 39,000 hits to the Statewide Benefits website this week which is above the previous week of 24,000 hits. This indicates employees are reading the new communication emails.

FY16 Group Health Program Planning - handout

Director Visalli stated that the committee has been working on the FY16 Planning since February dealing with copays, deductibles, and plan design changes. Discussions continued to narrow down the options that are palatable to everyone in some fashion. A group will be formed over the summer consisting of interested committee members, legislature and employee representation to focus on issues such as salary based premium structures, double state share and other items that are not able to be resolved by end of June.

Director Visalli referred to the FY16 Planning presentation to the Funding/Plan Design Combinations with the \$21M of General Fund Contribution toward premiums that would leave a \$15M in plan design changes to close the gap. The \$21M would go into the premium structure and generate \$45M toward solving the \$61M problem. The remaining \$15M plan design changes will be discussed at this meeting to decide on the various options. Provided we can vote and agree on the \$15M, Director Visalli feels confident that the \$21M will be allocated to the premiums. As discussed in previous meetings, the committee imposed an additional 10% to the existing 5% fee on all participating organizations. It was discussed if a solution is reached, the 10% fee would be rolled back. Six of the participating organizations were not paying the original 5% fee and were assessed a 15% fee increase overall. If the \$21M General Fund contribution is agreed upon, then the 10% fee will be rolled back and all participating organizations will pay the 5% as part of the overall solution which generates additional revenue.

Ms. Lakeman presented the next slide titled FY16 Plan Rates assuming \$47.1M General Fund Increase which equates to \$101.3M all funds. The last two columns to the right show the additional increase over July 1, 2015 rates and the last column shows the total increase over FY15 rates. These are monthly increases to be divided in half for bi-weekly pay and are pretax.

Director Visalli reiterated that the rates for the year beginning July 1 which we are now being shown for open enrollment will increase from \$1.72 to maximum PPO family rate increase of \$16.84 as shown in the second column from the right. If the additional \$21M is added, the overall monthly rate increase over FY15 rates is \$3.86 for Employee First State Basic to the highest increase of \$37.78 for Family in the Comprehensive PPO plan with another open enrollment opportunity for employees to make any necessary changes based on these rate increases.

Ms. Lakeman stated with any changes, we are obligated to give employees a sixty day notice. Factoring in this sixty day notice plus time to get notification out, SBO will notify people in mid-June so that July 1st would be the start of the sixty days and the start of the new rates will be September 1, 2015. The SBO will notify individuals via letter communicating the new rates and if they wish to make changes, people will notify their Human Resources office to make the change as this is just for the health plan. SBO does not anticipate a large number of changes. People will not be able to add dependents but will be able to drop dependents or change their health plan because of the increase of rates. Employees would not need to submit another Spousal Coordination of Benefits form as they are not adding a dependent unless they had a qualifying event. If there are no changes, no action is needed.

The Plan Design Changes for the Prescription Plan were reviewed. Option 4 was added as it was asked in the last meeting. Option 3 decreased the Generic from \$8.50 to \$8, increased the Preferred from \$20 to \$28 and increased the NonPreferred from \$45 to \$50. If receiving a 90 day supply, it would be two times the 30 day supply cost. Option 3 (highlighted in red) seems to be the preferred option producing a savings of \$2.9M. The next prescription drug change was to the Erectile Dysfunction drug coverage as currently the benefit is 6 pills per 30 day supply. Two options are presented with Option 2 preferred (highlighted in red) to eliminate coverage unless medically necessary for conditions other than ED. Members can obtain medication at discounted prices using their Express Scripts (ESI) card - \$33 to \$41 per pill average cost. An inquiry was sent out to one of the National Associations, unfortunately not all fifty states responded. Of the seven states that did respond, 3 offer no coverage (PA, Utah & Oregon) and 3 offer coverage (Maine, Florida & Michigan) and 1 State, Oklahoma, offers for medical necessity only. Of the ESI Government Clients, 9% exclude this drug leaving 91% that include it which about 21% of that have a medical necessity.

The Medical Plan Copays for PCP and Specialist were reviewed with the current benefit, the suggested new benefit with the savings for each option. SBO had originally shown a \$10 increase. Upon request, Option 1 is modeled to show a \$5 increase to the current benefit. Preventive visits to PCP will be at no cost starting July 1, 2015.

Options shown for the Medical Plan Copays for Hospital Inpatient, Emergency Room and Outpatient Surgery were reviewed with requested models shown. Option 2 shows current \$100/\$200 changing to \$150/\$300 is a \$1.5M savings. Then the \$100/\$200 going to \$100/\$300 or \$100/\$400 is \$0.5M to \$0.7M savings. The Outpatient Surgery highlighted has no change to what was modeled but the Treasurer had asked how the \$0.5M broke out and it is \$100K in savings for the change in the HMO copay and \$400K is the assessment of the copay to PPO since that had no copay previously.

The Lab and X-ray plan changes were reviewed. Per previous discussions, the tier approach was looked into between freestanding and hospital, however concerns were heard with doctor's practices that were owned by hospital systems. If the doctor's practices have lab and X-ray in their facilities, they actually get billed under the hospital's provider ID number which is problematic. SBO is continuing to work with Aetna and Highmark to see what may be done to identify the doctor's offices separately. Understanding that concern, a different approach was taken to do a minor increase across the board for lab and x-ray. Regardless of the place of service, we are recommending a \$5 increase to the Lab copay. The X-ray copay, non- high- tech increase from \$15 to \$20 and Advanced Imaging copay would increase to \$35. These two (highlighted) increases would produce a \$1.6M savings in cost.

Ms. Lakeman presented the summary of all of the recommendations in the previous slides to solve the \$60.1M shortfall between plan design changes and the General Fund addition.

Director Visalli stated that deductibles were not discussed but will be on the list of items to review during the summer as the committee must continue to look at cost containment strategies.

Treasurer Simpler commented that the general basic principle of insurance is to spread risk and we've done that through these challenges with higher premiums with everyone sharing in with the risks. The best way to share risk is through deductibles. The roughly \$12M of changes could have been solved by the smallest change in deductibles like \$125 individual/\$250 family. When we look at these specific changes, we are shifting this to a small base that we don't know the small population or the impact. The Treasurer voiced concerns that these small changes when they aggregate, are not felt by a lot of people but could be felt very highly by a small group of people. Director Visalli stated it is shifting the costs but if you have more of a stake as a consumer and knowing what services costs, it may change behavior in the long run. Over the summer when this group is together, there will be more opportunity to take a more in-depth look at the results of some of these changes and what we are really trying to achieve. Treasurer Simpler stated he respects what the committee is trying to do to solve cost problems. Every private plan has shifted to deductibles, and deductibles are coming since the cost structure of health care is growing faster than any of the revenue streams.

Chief Magistrate Davis stated the judiciary's position is similar to the discussion before that we really understand this is filling a hole and meeting the need right this minute. We really need to spend some time on long term solutions especially cost containment, equity issues as mentioned before like State Share that doesn't necessarily make sense now as they did long time ago. We are concerned that we are on the razor's edge with what we are doing here and we are not addressing any of those long term issues but at the same time we understand and support your point of view.

Treasurer Simpler expressed appreciation for the hard work by the committee, representatives of the employee's unions, and the work going on by the Joint Finance Committee (JFC) but this process is disconcerting. The JFC or General Assembly formed this committee to wrestle with these issues, to be the group that develops the technical expertise to wade through and to solve these problems. He knows the last page was pulled together by certain representatives of this committee in working with the JFC directly and not by all members of this committee. We did not really sit down together as a committee to figure this out. As it seems the General Assembly and the JFC worked with only a few

members to solve this problem on good faith, going forward if we are going to address the big problems, we do not want to be put in the position where the JFC crafts up a solution and sends to this committee that they can approve what goes back to the General Assembly for recommendation. Procedurally that is not really good government, it undermines the process of what we are supposed to do which is craft our own solution and send it back to the General Assembly.

Director Visalli responded that she appreciates these comments with the view that every year is different. This year was extraordinary different and in past years, when make plan design changes, the sequence of events is typically the Governor would make a recommendation as to the General Fund and we take it on faith that the legislatures is going to honor that recommendation and then we proceed from there. Our changes in the plan design are contained within the committee. Prior years, when we weren't facing such an extraordinary problem, we never had to go back except for one year where we solved the problem here and the legislature did not like it and said how about we just give you more money. The legislature wanted to have the opportunity to provide more money for premiums. That year was an exception. This year is clearly an exception because we needed a commitment from them for an additional \$21M to get to where we are today. In any other given year, it would sequence a little more smoothly in that there was a Governor's recommendation, there was a good faith effort that the JFC would try to protect that so this committee could do their work, close any remaining gap with plan design changes, then we would vote and it would be a balanced plan with a reserve available. Things have changed and we will continue on this trajectory so it will be part of the discussion this summer as we can't have a discussion about the end product without talking about the process to clearly define it.

Treasurer Simpler stated he believes the General Assembly has the right to overrule the recommendation of this committee and believes strongly in the capacity of the employees to have their representatives petition their legislatures; the two value adds we have as a committee is (1) to build up technical experience or (2) we have this dialogue in a public forum so there is some transparency by the way we reach the decisions of this committee. These are two concerns.

Mary Cooke, DOE shared information received that there was a shooting this afternoon in the area near the Williams Service Center. Director Visalli stated it was in the vicinity of the Capital Green neighborhood near the Service Center.

Public Comment

Mr. Dave Leiter, DHSS, thanked the committee for the hard work put in for the benefits. Nothing was mentioned on the IVF for women. Mr. Leiter asked if there will be a chance to roll back the increase in copays especially for the pay grades 1-7 and the lower paid retirees and if there is any way we could get a subsidy for the pay grades 1-7 and the lower paid retirees.

Jon McDowell, retiree, commended the work done by the committee on behalf of the State of Delaware employees and retirees. He appreciates the benefits he receives as a retiree. He's here to address the change in the Erectile Dysfunction medication. For the purpose of his remarks he asks the committee to put in perspective the trouble a couple has in struggling with this issue. This plan provides benefits for both men and woman with medical dysfunctions. He contacted a local pharmacy who stated six pills run roughly \$291 with \$10 discount for \$281 which is \$3,300 per year. Please consider the financial impact on the individual and their partner. In closing respectfully requests to provide the current level of this benefit.

Tom LaPenta, University of Delaware, Chief HR Officer, thanked all for the work done and appreciated the 15% administrative charge coming down. Any other consideration that could be given would be appreciated as UD has never been accessed the 5% fee before as they handle all of the administrative work themselves and they are picking up about \$3.1M of the \$4M fee through the UofD workforce. Director Visalli appreciated these comments and stated Scott Douglas did send written correspondence to the committee members and that letter will be entered into the record.

Paula Roy, Roy Associates asked for more information on the committee that will be formed this summer. Ann responded that more information will be provided as it is finalized and voted on by the JFC.

Karol Powers-Case, DRSPA expressed her thanks to the committee.

Director Visalli asked for a motion to approve the recommendations on slide 9 and the corresponding rates associated with the \$21M General Fund contribution. Mr. Klopp made the motion and General Controller Morton seconded. Treasurer Simpler opposed for the reasons of substituting the small changes with one small deductible increase of \$125 individual/\$250 family and makes the same objections as to the way how the conclusion was arrived at. With one no vote, the motion does carry.

Director Visalli stated the next SEBC meeting is scheduled for next Friday, May 22nd which is not needed now. Ms. Lakeman said it's preferred to have June's meeting earlier in the month versus end of June as scheduled now to avoid upcoming concerts in the area. There is one last item to solve for DelaWELL. June's meeting date will be communicated once confirmed.

Director Visalli asked for a motion to adjourn. Treasurer Simpler made the motion and General Controller Morton seconded. With unanimous voice approval the motion carried. Meeting adjourned 3:30 p.m.

Respectfully submitted,

Lisa Porter
Executive Secretary
Statewide Benefits Office, OMB